

TARGETED INITIATIVE FOR OLDER WORKERS

**AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR SERVICE
PROVIDERS**

April 1, 2010 – March 31, 2011

April 1, 2011 – March 31, 2012

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Table of Contents

	<u>Page</u>
Definitions	3
Funding Categories	3
Business Plan Cycle and Auditing Requirements	4
Financial Considerations	
a) Funds	4
b) Interest Earned	4
c) Bank Account	4
d) Capital Assets	4
e) Disposition of Assets	5
f) Deficits	5
g) Reporting Ministry program expenditures net of tax rebates .	5
Monitoring	5
Reports Required and Due Dates	6
Appendix I – Statement of Revenue and Expenditure Report	8
Appendix II – Sample Auditor’s Report	9
Appendix III – Estimate of Expenditure Report	10

**TARGETED INITIATIVE FOR OLDER WORKERS (TIOW)
AUDIT AND ACCOUNTABILITY REQUIREMENTS FOR SERVICE PROVIDERS**

April 1, 2010 – March 31, 2011

April 1, 2011 – March 31, 2012

Definitions

1. **Capital Assets**

Capital Assets, for the purpose of this program, are identifiable assets that meet all of the following criteria:

- Are held for use in the provision of services, for administrative purposes, for production of goods or for the maintenance, repair, development or construction of other capital assets;
- Have been acquired, constructed or developed with the intention of being used on a continuing basis;
- Are not intended for sale in the ordinary course of operations; and
- Are not held as part of a collection.

2. **Multi-Agreement Holder (MAH):**

A multi-agreement holder is a service provider that has two or more agreements with the Ministry within a single region or across more than one region.

3. **Project Accounting:**

Project Accounting connects service provider financials with project activities to effectively track the financial progress of projects. Where a service provider has multiple projects, all costs must be allocated to specific projects. These costs must then be reconciled with the sources of funding, ensuring accurate accounting.

4. **Quarterly Status and Adjustment Report (QSAR):**

The Quarterly Status and Adjustment Report enables the Ministry to monitor service providers' progress toward achieving milestones set out in their approved annual Business Plan and Schedule "B" of their Targeted Initiative for Older Workers (TIOW) agreement.

Funding Categories

- **Operating costs** – means the TIOW Service Provider's administrative overhead costs necessary for the administration of TIOW. These are costs such as wages and mandatory employment related costs for project administrative staff, costs of materials and supplies, insurance costs, rental costs of premises, utilities costs, costs of the purchase or lease of equipment, interest costs, travel costs and fees for professional services, the costs of leasing or purchasing materials or equipment for use in TIOW activities, and the cost of worker's compensation coverage or comparable private insurance compensation coverage for staff.
- **Placement Incentives for Employers** – means the costs provided to employers for participants employed by those employers during work experience activities. This funding will help offset costs of employers to train/develop participants.
- **Employment and training costs and supports for individuals** - means basic living allowances, financial assistance provided to eligible participants for dependent care, disability needs, transportation, and other special needs, and the costs of services provided to participants by other organizations, such as but not limited to the purchase of training, self-employment orientation or job-finding clubs.

Business Plan Cycle and Auditing Requirements

The Ministry's annual business plan cycle incorporates a process whereby all service providers will submit an annual Business Plan for the delivery of TIOW. Business Plans include targets and measures/standards which must be met by the service provider in order to maintain funding.

All service providers are required to submit an annual Statement of Revenue and Expenditure Report providing an accounting of the previous fiscal year's approved budget.

Financial Considerations

a) Funds (to be paid as per Schedule "C" of the TIOW agreement)

Service providers have discretion over the use of their funds within the following parameters:

- Operating funds are allocated against an identified minimum participant activity level. This allocation may be adjusted if intake falls short of projected activity, or conversely if additional performance indicators have been negotiated;
- In situations of co-location of TIOW with other programs and services, TIOW funds must only be used to cover costs directly related to the delivery of TIOW; this should be managed by applying project accounting principles;
- Operating funds cannot be used for major capital expenditures, such as the purchase or construction of facilities. These types of costs would be negotiated separately and identified as "other funding". Purchase of equipment and furniture directly related to the effective delivery of the contracted program is allowable;
- Operating funds can be transferred into Employment & Training Supports for Individuals and/or Placement Incentives for Employers at any time. The Ministry must be notified of a transfer of funds from the Operating category to another category, but prior approval is not required. The transferring of funds from Employment & Training Supports for Individuals and/or Placement Incentives for Employers can only occur with prior written approval from the Ministry; and
- Service providers must stay within their total annual allocation. Service providers will not receive additional funds if they exceed their annual activity targets, although any issues may be discussed with the Ministry.

b) Interest Earned

If the service provider earns any interest on the Funds, the Ministry will deduct an amount equal to the interest from a future instalment of Funds. If the service provider fails to identify interest earned in the Estimate of Expenditure Report or the Statement of Revenue and Expenditure Report, this will be considered an Event of Default in accordance with article 14.1 of the TIOW agreement.

c) Bank Account

Although maintaining a separate bank account for Ministry funding is not a requirement under the TIOW agreement, it is a strongly recommended practice.

d) Capital Assets

Service providers are not required to report capital expenditures to the Ministry. However, the service provider must maintain a separate record of capital items for audit purposes in accordance with section 7.2 of the TIOW agreement.

e) Disposition of Assets

The service provider **must** obtain the Ministry's prior written approval to sell, lease or otherwise dispose of an asset purchased with the Funds, if the cost exceeded \$1,000 at time of purchase, in accordance with section 5.4 of the TIOW agreement. Any Funds earned on the disposition of assets must be reported on the Statement of Revenue and Expenditure Report (Appendix I).

f) Deficits

Service providers are accountable for managing their funding and required to remain within their approved funded allocations (per Schedule B). Service providers must request prior written approval from the Ministry for an anticipated over-expenditure. Each request will be individually evaluated. Service providers must enclose copies of overspending approval documents from the Ministry with their financial reports. This will help reduce any delays in determining the final financial entitlement.

g) Reporting Ministry program expenditures net of tax rebates:

Amount service provider spent on goods/services:	\$100.00
Amount of tax paid (example: 5%):	\$5.00
Less amount of tax rebate claimed (where rebate equals 50%):	<u>-\$2.50</u>
Amount of tax expenditure:	<u>\$ 2.50</u>
Amount reported as Ministry program expenditure:	<u>\$102.50</u>

Monitoring

Monitoring, under TIOW, will be a collaborative effort between Ministry staff and service providers. Some of the activities that can be expected during the life cycle of an agreement include:

- Activity and financial reporting;
- On-site compliance and evaluation visits;
- Discussions via telephone; and
- Correspondence by mail or e-mail.

Reports Required and Due Dates

Without the signature of a service provider’s authorized signing officer, reports will be considered incomplete. Payments will be delayed if complete reports are not received by identified due dates.

NAME OF REPORT	DUE DATE(S)
<p>A. Estimate of Expenditure Report for 2010/2011 TIOW Program (Appendix III)</p>	<p>July 16, 2010 October 15, 2010 January 14, 2011 April 15, 2011</p>
<p>B. Estimate of Expenditure Report for 2011/2012 TIOW Program (Appendix III)</p>	<p>July 15, 2011 October 14, 2011 January 13, 2012 April 14, 2012</p>

This Report must identify the approximate total expenditure for the defined quarter using the best information available at the time, as well as:

- a) the forecast of expenditures for the next quarter, and
- b) the forecast as of March 31.

Please use **Appendix III** to prepare the Report.

Payments may be adjusted based on each Estimate of Expenditure Report. This may affect annual negotiated Schedule B allocations.

NAME OF REPORT	DUE DATE(S)
<p>C. Statement of Revenue and Expenditure Report for the TIOW Program (Appendix I)</p> <p>The Statement of Revenue and Expenditure Report must be accompanied by an Auditor's Report (sample attached – Appendix II) where the funds total \$100,000 or more.</p>	<p>June 30 of each year of the agreement</p>

Please use **Appendix I**, to prepare the Report. Service providers are not required to submit their organizational audited financial statements to the Ministry. The Statement of Revenue and Expenditure Report is used as the basis for the final annual financial settlement (the entitlement) under the contract between the Ministry and the service provider.

The Statement of Revenue and Expenditure Report must be audited by an external auditor in accordance with Generally Accepted Auditing Standards where the funds total \$100,000 or more. The auditor must verify, at a minimum, that proper and distinct accounts and records are maintained for program funds/expenditures by each budget line. The Auditor’s Report must include an opinion on the Statement of Revenue and

Expenditure Report (**Appendix II** provides a Sample Auditor's Report that meets the Ministry's requirements). Service providers must instruct their auditor to prepare the Auditor's Report according to Ministry requirements.

The Ministry requires service provider sign-off on the Statement of Revenue and Expenditure Report to verify that:

- TIOW funding has been solely applied to costs directly related to TIOW;
- Funding and/or expenditures from other sources have not been included in the report;
- TIOW financial information is being reported net of tax rebates;
- Shared costs have been properly apportioned to the Program using project accounting principles;
- Interest earned on TIOW funding has been credited to the Program; and
- TIOW funds that were not for immediate use, and any interest earned on TIOW funding throughout the year, were maintained in an interest-bearing bank account.

IMPORTANT NOTE: If additional details or corrections are necessary on a service provider's Statement of Revenue and Expenditure Report, the service provider's external auditor must verify any revisions in writing. The Ministry cannot accept unaudited information provided by a service provider in support of their Statement of Revenue and Expenditure Report.

APPENDIX I
STATEMENT OF REVENUE AND EXPENDITURE REPORT
TARGETED INITIATIVE FOR OLDER WORKERS (TIOW) PROGRAM
FOR THE YEAR ENDED MARCH 31, _____

Please attach this Report to the Auditor's Report prepared by your external auditor and send it to the Ministry in accordance with Article 18 of the TIOW agreement.

Due Date: June 30

Service Provider Name: _____ Service Provider Number: _____

Service Provider contact, if the Ministry requires clarification:

Name: _____ Telephone #: _____

TIOW REVENUE for fiscal year _____	
Ministry Funding	\$
Interest Earned on Ministry funding	\$
Funds earned on the disposition of assets	\$
Total Revenue:	\$

TIOW EXPENDITURE for fiscal year _____	
Operating	\$
Placement Incentives for Employers	\$
Employment and Training Supports for Individuals	\$
Total TIOW Expenditure:	\$

I verify that the above financial information is correct and that:

- TIOW funding has been solely applied to costs directly related to the Program;
- funding and/or expenditures from other sources have not been included in the Report;
- TIOW reported expenditure is net of tax rebates;
- shared costs have been properly apportioned to the Program using project accounting principles;
- interest earned on TIOW funding has been credited to the Program;
- unspent TIOW funds, and any interest earned on TIOW funds throughout the year, were maintained in an interest-bearing bank account.

COMMENTS: _____

The Ministry has provided prior written approval for the over expenditure and related documentation from the Ministry is attached.

I certify that the information is true and correct to the best of my knowledge and claimed in accordance with the TIOW legal agreement.	
_____ Signature of Service Provider Authorized Signing Officer	_____ Date (D-M-Y)
Name:	
Title:	
I have authority to bind the Recipient.	

APPENDIX II
Sample Auditor's Report

AUDITOR'S REPORT TO THE GOVERNMENT OF ONTARIO
MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES

At the request of the **(Name of Service Provider)**, we have audited the Targeted Initiative for Older Workers (TIOW) Statement of Revenue and Expenditure Report of the **(Name of Service Provider)** for the year ended March 31, **(year)** prepared in accordance with the Ministry of Training, Colleges and Universities' Targeted Initiative for Older Workers Audit and Accountability Requirements for Service Providers for April 1, 2010 to March 31, 2012. This financial statement is the responsibility of the **(Name of Service Provider)** management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether this financial report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in this financial report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial report presentation.

In our opinion, this report presents fairly, in all material respects, the revenue and expenditures of the TIOW Program for the year ended March 31, **(year)** accordance with the Ministry of Training, Colleges and Universities' Targeted Initiative for Older Workers Audit and Accountability Requirements for Service Providers for April 1, 2010 to March 31, 2012.

Chartered Accountant
(Date)